

## ARROWHEAD REGIONAL MEDICAL CENTER

### June Griffith-Collison

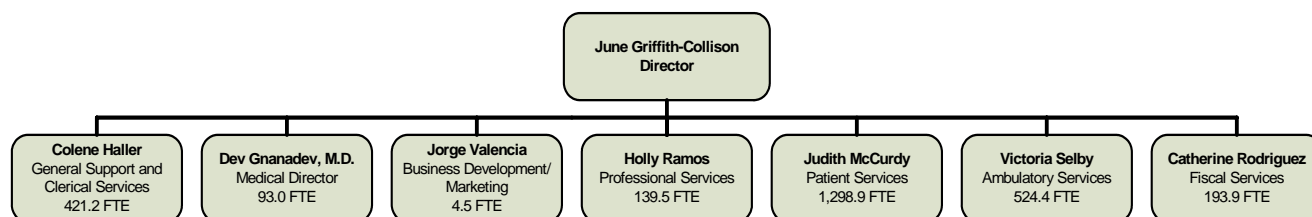
#### MISSION STATEMENT

The San Bernardino County "Arrowhead Regional Medical Center" (ARMC) is a safety net hospital with the primary mission of providing quality healthcare, a basic necessity of humankind, to the residents of San Bernardino County. We continuously strive to improve the health of the communities we serve and become the provider of choice for healthcare delivery and education

#### STRATEGIC GOALS

1. Increase outpatient and emergency room visits.
2. Increase admissions in acute care services.
3. Enhance reimbursement and other revenue streams.
4. Explore additional cost containment opportunities and strategies.
5. Continue maintaining and improving the information technology infrastructure and proceed with installation and implementation of additional Meditech System modules.
6. Continue improving Customer Satisfaction Survey results

#### ORGANIZATIONAL CHART



#### SUMMARY OF BUDGET UNITS

	2006-07				
	Appropriation	Revenue	Fund Balance	Revenue Over/ (Under) Exp	Staffing
Arrowhead Regional Medical Center	352,563,295	348,897,401		(3,665,894)	2,683.4
Tobacco Tax Funds	3,827,366	2,096,924	1,730,442		
Archstone Foundation Grant	74,411	39,306	35,105		
<b>TOTAL</b>	<b>356,465,072</b>	<b>351,033,631</b>	<b>1,765,547</b>	<b>(3,665,894)</b>	<b>2,683.4</b>

Detailed information for each budget unit is provided, along with a description of the services provided, budget unit history, and applicable performance measures.



## Arrowhead Regional Medical Center

### DESCRIPTION OF MAJOR SERVICES

Arrowhead Regional Medical Center (ARMC) is a state of the art, acute care facility embracing advanced technology in all patient and support areas. ARMC offers the latest in patient care by providing a full range of inpatient and outpatient services, three off campus community health centers, Department of Behavioral Health's inpatient activities and numerous specialty services. Freeway access, shuttle service and close proximity to an Omnitrans bus hub make ARMC convenient to county residents.

The Hospital and Behavioral health facilities are comprised of 373 (90 Behavioral Health and 283 Hospital) inpatient rooms, most of which are private. The Emergency Department is a Level II Trauma Center and consists of 15 observation rooms, 8 treatment rooms, 3 law enforcement holding rooms and 8 trauma rooms. In 2005, an Emergency Department remodel added a 9 bay Rapid Medical Emergent Treatment area to expedite treatment and improve throughput. The helicopter landing area can accommodate both standard medi-vac helicopters and military helicopters. The outpatient care center consists of 109 examination rooms and 8 procedure rooms.

The Medical Center remains one of the most technologically advanced health care institutions in the entire country. It is also seismically sound, capable of withstanding an 8.3 magnitude earthquake and is designed to remain self sufficient and functional for a minimum of 72 hours.

**Inpatient Care:** Inpatient services provide curative, preventative, restorative and supportive care for general and specialty units within the General Acute Care Hospital, Behavioral Health Hospital and Home Health. Care is coordinated among multiple care providers responsible for patient care twenty four hours a day. Nursing functions as a primary interface with patients, families and others and is often the interpreter for the hospital experience and treatment plan. Education is a primary focus. ARMC offers numerous Residency Programs for the training of physicians in Family Practice, Emergency Medicine, Surgery, Neurosurgery, Women's Health, and Internal Medicine.

Inpatient Service lines include:

- Inland Counties Regional Burn Center, which provides total burn care to patients of all ages and serves San Bernardino, Riverside, Inyo and Mono Counties.
- Medical Intensive Care (MICU), Surgical Intensive Care (SICU) – providing critical care for medical and surgical patients requiring continuous monitoring, assessment and treatment.
- Neonatal Intensive Care Unit (NICU) providing critical care for newborn premature/fragile infants.
- Maternal Child Services – labor / delivery / maternity and postpartum.
- Newborn Nursery providing full services for newborn infants.
- Operative Services provides surgical, invasive and peri-operative for all surgical procedures excluding cardiac. It is comprised of 15 OR suites, a three room Specialty Procedure Lab, Pre-Op Holding Area, Post Anesthesia Care Unit (PACU), Ambulatory Surgery Care (ASC), Pre-Op Clinic, Pain Clinic and three Obstetrical / Gynecological Operating Rooms.
- Pediatrics – providing assessment, observation and treatment of pediatric patients.
- Medical Surgical Services – Geriatrics, Orthopedics, telemetry patients requiring assessment, observation and treatment.
- Specialty Services – offered to patients who have special needs such as Dialysis, Cancer, Transplant (kidney) and Wound care – Patient evaluation follow-up, diagnostic planning, treatment and case management.
- Behavioral Health – Adult inpatient psychiatric treatment services which include evaluation, assessment and treatment by interdisciplinary teams of psychiatrists, nurses, psychiatric technicians, clinical therapists and occupational therapist. Program offers medication administration, individual and group therapy and family education.

**Outpatient Services:** Outpatient Care is an integral part of our multifaceted health care delivery system offering a wide range of emergency, primary, preventive, chronic, follow-up and specialty care in an ambulatory care setting. Visits have exceeded 250,000 annually without the Emergency Room volume.



Outpatient Service lines include:

- Emergency Medicine – ARMC is a busy Level II Trauma Center offering acute, emergent and urgent treatment of patients. Visits are currently in excess of 90,000 annually.
- Primary care – three outlying family health centers offering comprehensive primary medical care for children and adults. These are community clinics that provide preventive, obstetrical and gynecological care, family planning services, well child visits, immunizations, health education and referral to specialty services – Fontana Family Health Center, McKee Family Health Center and Westside Family Health Center.
- Specialty Clinics (10) including:
  - \* Infusion Therapy – provide therapeutic and supportive care to adult oncology patients and their families, chemotherapy, blood products, IV hydration and antibiotics.
  - \* Internal Medicine with subspecialties of cardiology, allergy, nephrology, endocrinology, gastroenterology, hematology, neurology and rheumatology.
  - \* Surgery clinic with subspecialties of general surgery, wound care, burn care, urology, oral surgery/dental, ENT/audiology, neurosurgery, ophthalmology, pre-operative evaluation and post operative care.
  - \* Women's Health offering comprehensive pregnancy services from preconception counseling to postpartum care including high risk maternal / child care.
  - \* Orthopedic clinic providing services for diagnosis and treatment of diseases and abnormalities of the musculoskeletal system with emphasis on upper extremity, joint reconstruction, trauma and spine.
  - \* Pediatric clinic – a variety of comprehensive services to children 0 – 18 years of age, well child visits, immunizations, high risk follow-up, sick child walk-in visits as well as pediatric specialty services of cystic fibrosis, neurology, nephrology, endocrinology, asthma, diabetes, genetics, allergy, cardiology and hematology.
  - \* Family Elder Care serving primarily elderly adults and frail elderly, their support systems/caregivers and families, offers consultative services for seniors, geriatric evaluation and management.
  - \* Rehabilitation Clinic – conducts evaluations for State Disability, Rehabilitation/Treatment of amputees, spinal cord injuries and strokes. Referrals are to Physical Therapy, Speech, Occupational Therapy and Prosthetics.

**Ancillary / Support & Specialized Services Include:**

- Medical Imaging Department (Radiology) utilizes a digitized imaging and archiving system which replaces x-ray film. Radiologists can remotely access and read images for expedited diagnostic interpretation. The Medical Imaging Department also performs Bone Densometry, Mammography, CT scanning, MRI, Ultrasound, Nuclear Medicine and Radiation Oncology.
- Neurodiagnostics offers both inpatient and outpatient diagnostic studies. Tests performed include electroencephalograms (EEG), Continuous EEG, Electromyogram (EMG), Nerve Conduction studies and transcranial dopplers.
- The Clinical Laboratory is responsible for inpatient and outpatient diagnostic services which include chemistry, hematology, coagulation, urinalysis, bacteriology, cytology, virology, mycology, serology, TB, blood transfusions, autopsy and surgical pathology. Approximately 1.4 million tests are performed annually in this 24 hour service.
- Pharmacy provides comprehensive inpatient and outpatient pharmaceutical services. The outpatient Pharmacy operates an automated prescription filling system called Optifill II. The patient submits the prescription and it is entered into the computer and reviewed by a pharmacist. Once accepted, a label is printed, the computer initiates filling the bottle and caps the prescription. Quality assurance is completed prior to presenting to the patient.
- Rehabilitation Services includes Physical Therapy, Occupational Therapy and Speech Therapy. The department evaluates and treats patients with neuromuscular, musculoskeletal, sensorimotor, cardiovascular, pulmonary disorders and language dysfunction. The goal is to restore the patient's functional activities of daily living to the highest possible level.
- Respiratory Care offers a thorough practice of routine, prophylactic and intensive respiratory care modalities including gas and aerosol therapy, conventional mechanical ventilation, high frequency oscillatory ventilation, airway management, CPR, blood gas acquisition and analysis, non invasive monitoring and placement of percutaneous tracheotomies.
- Home Health includes rehabilitative care, IV therapy and wound care extended to patient's home to complete the continuum of care.

- Health Information Library offers catalog of CD ROM, journals and computers with internet access for health care research and up to date information.
- Wound care and hyperbaric medicine is directed specifically toward the healing of chronic wounds. Services include diagnostic testing / sharp debridement, casting and strapping for compression therapy and patient education. Hyperbaric Oxygen Therapy (HBO) is offered to patients with specific types of difficult to treat wounds that are known to respond to HBO per UHMS guidelines.

Revenue resources for ARMC are comprised of the following:

SB 1100 California's Medi-Cal Hospital/Uninsured Care Demonstration Project Act, Medicare, AB 915, tobacco tax funds, current services, miscellaneous revenue, and Health Realignment. Summary information regarding key components of this budget unit appears below. The "Rev Over/(Under) Exp" amount shown above reflects the enterprise fund's depreciation requirement, and is not a shortfall to the budget. Equipment depreciation expense of approximately \$5.5 million is included as an operating expense; because funding is not required to offset this amount, a corresponding amount of revenue is not budgeted.

During fiscal year 2005-06 ARMC's revenue projections were based on Disproportionate Share (DSH) Funding comprised of monies from SB 1255, SB 855 and CMAC negotiated per diem rates. For fiscal year 2006-07, this funding mechanism is replaced by SB 1100, California's Medi-Cal Hospital/Uninsured Care Demonstration Project. This new system is designed to fund the public and private safety net hospitals for care provided to Medi-Cal and uninsured patients. The project is described by a Medicaid (Medi-Cal in California) waiver negotiated by the Schwarzenegger Administration and the federal government last year. California's legislature passed the law (SB1100) putting it into place in Sept 2005. The five-year waiver covers the period from July 1, 2005 to June 30, 2010. It replaces a 15-year old system that governed hospital payments through a different set of mechanisms that will no longer be used.

The old DSH program was established to provide supplemental Medi-Cal payments to certain hospitals that provide services to disproportionate members of Medi-Cal and other low-income patients. The programs assisted safety net hospitals in meeting the uncompensated costs associated with providing medical services to uninsured and underinsured patients. The programs were mechanisms for distributing federal health care funds. The programs required the county to transfer general fund dollars (reflected Health Care Costs (HCC) budget unit) to the state. Through a matching process, the county received back its initial contribution. The level of the county's contribution was set during the year by the state. Budgets from the prior year could not fully reflect the amount of federal health dollars received via DSH programs until the county was notified of the matching amounts during the course of the current fiscal year.

The old DSH program was comprised of the following elements:

- The SB 855 program, which provided supplemental payments to hospitals that serve a disproportionate number of low-income individuals. Public entities were required to transfer funds to the State Department of Health Services by an intergovernmental transfer. These funds were matched with the federal funds and redistributed as supplemental payments to all eligible hospitals including non-public hospitals. A hospital could receive DSH payments if its Medi-Cal utilization rate exceeded an established threshold or it used a minimum percentage of its revenues to provide health care to Medi-Cal and uninsured patients.
- SB 1255 program supplemented eligible hospitals that were licensed to provide emergency medical services and contracted with California Medical Assistance Commission (CMAC) to serve Medi-Cal patients under the Selective Provider Contracting Program. Intergovernmental transfers were also made. These funds were combined with matching federal funds and redistributed by CMAC as supplemental payments to hospitals demonstrating a need for additional funds. CMAC ultimately determined the amount received by each participating hospital.
- The GME program is part of the SB 1255 program and provided supplemental payments to DSH hospitals that were also teaching facilities. Payments were determined solely by CMAC and the amount could vary from year to year. Similar to other SB 1255 revenues, the amount actually received was determined by the state during the course of the fiscal year.

- The new hospital financing waiver under SB 1100, however, is comprised of the following elements which are to be financed by Certified Public Expenditures (CPE) and matched against federal Medicaid dollars:
  - \* The Medi-Cal Fee for Service, which is projected to grow if county spending increases. This is considered to be the federal payments made to public hospitals for services delivered to Medi-Cal patients. The federal payment rate represents approximately one half the costs borne by the hospital. Public hospital fee for service payments fluctuate based on numbers of Medi-Cal patients served which are counted towards the calculation of baseline funding (2004-05 levels). The estimated value of the State's budget is \$770 million annually. The Medical Fee for Service accounts for 14.18% of ARMC's net revenue.
  - \* The Disproportionate Share Hospital Funds is the Federal payments made to public hospitals to account for a portion of the uncompensated care delivered to the uninsured, including undocumented immigrants. Funds also can be applied to make up for shortfalls in Medi-Cal psychiatric and Medi-Cal managed care payments and the cost of care delivered. The estimated value of the State's budget is \$1 billion annually and is frozen throughout the waiver period. The Disproportionate Share Hospital Funds accounts for 14.56% of ARMC's net revenue.
  - \* The Safety Net Care Pool Funds (SNCP) is the Federal payments made to public hospitals and public clinics for uncompensated care delivered to uninsured patients and for certain designated non-hospital costs, such as drugs and supplies for the uninsured. Both public and private safety net hospital will access the pool to achieve baseline funding (2004-05 levels) and for stabilization funds. The funding is frozen throughout the waiver period. The estimated value of the State's budget is \$586 million per year for years 1 and 2 (2005-2007), \$766 million per year for years 3, 4, and 5 (2007-2010), reflecting an additional \$180 million per year and is contingent on a coverage program. IEHP is requesting from State to pilot this coverage program recommending ARMC and Riverside Regional Medical Center to collaborate in the demonstration project. The projection in this pilot program accounts for 0.58% in ARMC's net revenue, which is excluded in the SNCP Fund. The Safety Net Care Pool Funds accounts for 9.42% of ARMC's net revenue.

Centers for Medicare and Medicaid Services (CMS) approved California's Medicaid State Plan Amendment (SPA) implementing the provisions of AB 915 (Welfare and Institutions Code Section 14105.96, Statutes of 2002). AB 915 provides public hospitals with a Medicaid supplemental payment for unreimbursed Medi-Cal hospital outpatient fee-for-service expenses. This measure was implemented retroactively from July 1, 2002 and became effective in the 2003-04 year and each fiscal year, thereafter. The supplemental Medi-Cal payment is based on each hospital's certified public expenditures (CPE), which are matched with federal Medicaid payments. ARMC's claim for reimbursement is limited to the federal share of the unreimbursed Medi-Cal expenses that are certified. AB 915 revenue accounts for 2.04% of ARMC's net revenue.

Medi-Cal Managed Care is a program that is administered by Inland Empire Health Plan (IEHP) that covers medical costs for low-income patients under an HMO type structure and it accounts for 2.96% of ARMC's net revenue.

Tobacco Tax funds are allocated by the state to partially reimbursed hospitals for uncompensated medical care and they account for 0.42% of ARMC's net revenue.

In November 1998, Proposition 10 was passed by California voters and became the Children and Families Act of 1998 (Act). This act provided for additional taxes on tobacco products, which created a revenue stream directed towards promoting, supporting and improving the early development of children from the prenatal stage to five years of age. The Act established the local Children and Families Commission for San Bernardino County, which is responsible for implementation and coordination of a countywide system to provide child and family support services, including healthcare and education. ARMC is currently administering the First 5 Dental Program (Program) grant. ARMC took over this program in October 2004. First 5 Dental Program accounts for 0.35% of ARMC's net revenue.

During 2005-06, Section 1011 of the Medicare Modernization Act of 2003 Program, a federal reimbursement for emergency health services provided to Undocumented/Uninsured immigrants was implemented. Congress has mandated the Secretary of Health and Human Services directly pay hospitals, physicians and ambulance providers for their unreimbursed costs of providing services required by section 1867 of the Social Security Act (EMTALA) and related hospital inpatient, outpatient and ambulance services furnished to undocumented aliens. Section 1011 accounts for 0.39% of ARMC's net revenue.





MediCal outpatient revenue accounts for 3.17% of ARMC's net revenue. This is the traditional fee for service payments for treating outpatient care for MediCal patients.

Medicare is a federal insurance program for people over the age of 65 and it accounts for 10.90% of ARMC's net revenue.

The current services revenue category is comprised of:

- Insurance Revenue from third party insurance carriers paying on behalf of patients primarily receiving services from ARMC's trauma center. This revenue accounts for 18.83% of ARMC's net revenue.
- A contract with Department of Behavioral Health, for provision of services to mentally ill inpatients, accounts for 5.54% of ARMC's net revenue.
- Self-pay revenue consists of payments from patients who do not qualify for any reimbursement program and are responsible for their own bills; it accounts for 3.99% of ARMC's net revenue.

Other revenue is primarily cafeteria sales, reimbursements from contracted physicians for office space, and payment from Riverside Regional County Medical Center (RRCMC) for services provided by ARMC's medical residents assigned to RRCMC. This revenue accounts for 1.28% of ARMC's net revenue.

Health Realignment is a portion of the vehicle license fees and sales tax collected by the state and distributed to counties to cover the cost of indigent health care. It accounts for 11.23% of ARMC's net revenue.

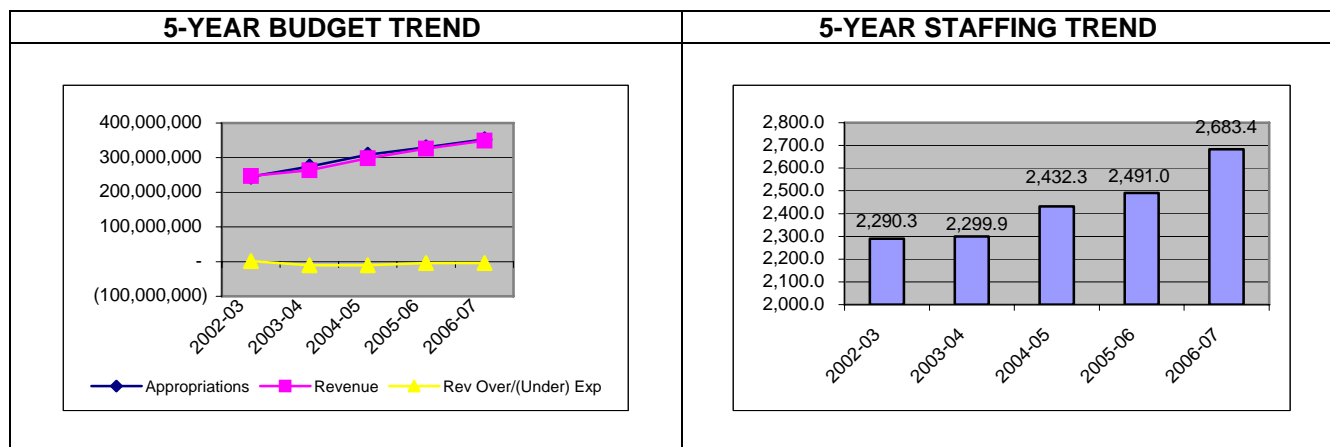
Average Daily Census – ARMC's Average Daily Census (ADC) declined by (3.86) or 1.42% in 2005-06. The decrease is due to fewer admissions from the Burn Care Unit by (3.20) due to reduction in insurance admissions resulting from discontinued contracts with the insurance carriers, and Intensive Care Units by (15.2), offset by increase in Obstetrics due to volume growth in deliveries and Medical/Surgical Units. The 2006-07 budget was increased to reflect the number of deliveries and Emergency Room (ER) expansion into the waiting room.

Average Daily Census – Department of Behavioral Health's (DBH) ADC declined by (1.34) or 2.40% due to limited funding and additional staffing needed. The 2006-07 budget reflects additional staffing to capture patients being transferred to other facilities and to reduce the number of patients being treated in DBH's ER triage. This conversion will bring budget 2006-07 in line with budget 2005-06.

Emergency Room Visits: ER visits declined by (7,399) or 7.57% due to the nurse staffing ratios adversely affecting the services. Despite fewer staff hours, patients seen exceeded the prior year. Growth is expected when the ER expansion into the waiting room is completed. This expansion will bring the 2006-07 budget in line with the 2005-06 budget, improve patient flow, thus reducing the patients' wait time, and decrease the 20-50 patients per day that leave the facility without being seen by a physician.

Outpatients Visits: Outpatient visits dropped by (4,670) or 1.91% due to the decrease of outpatient providers allocated in the Family Health Centers (FHC). The FHCs are down by three providers as compared to 2004-2005. There have been difficulty recruiting providers due to competitive markets; however, it is anticipated that one provider will be replaced during the fiscal year 2005-06 and the Patient Visit Redesign program will help neutralize the volume for 2006-07.

## BUDGET HISTORY



## PERFORMANCE HISTORY

	2002-03 Actual	2003-04 Actual	2004-05 Actual	2005-06 Modified Budget	2005-06 Actual
Appropriation	249,993,243	285,852,123	307,053,857	338,042,371	338,756,350
Departmental Revenue	257,161,998	280,930,688	303,214,159	333,848,787	325,302,143
Revenue Over/(Under) Exp	7,168,755	(4,921,435)	(3,839,698)	(4,193,584)	(13,454,207)
Budgeted Staffing					
Fixed Assets	843,329	1,640,973	1,314,030	2,022,948	1,539,482

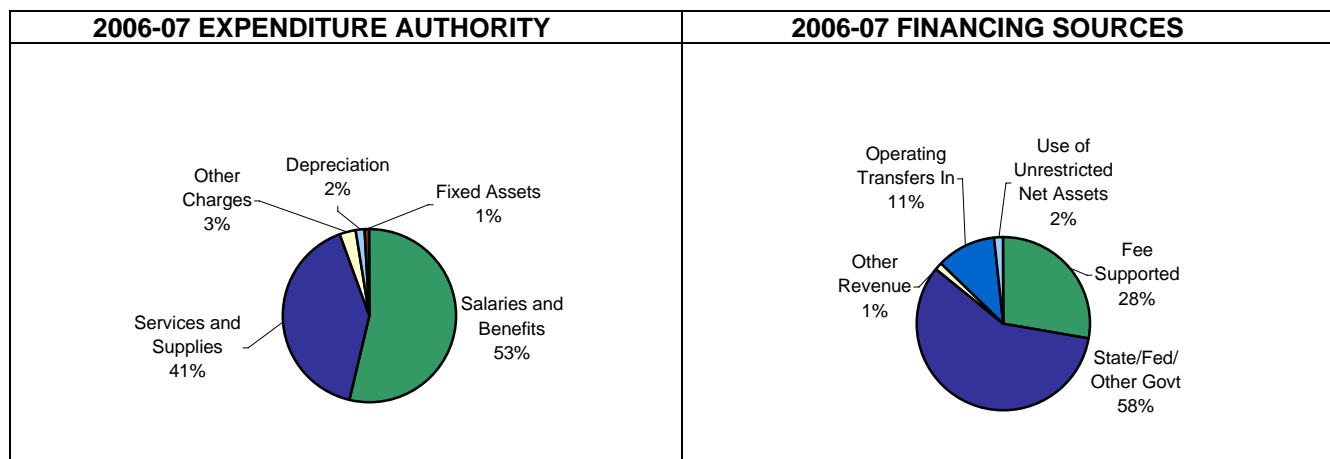
Expenditures in 2005-06 were over budget by a total of \$0.7 million due primarily to increases in overtime usage to comply with staffing ratios and increase in temporary help and nursing registry used to fill vacant positions. In addition, pharmaceuticals and other medical supplies expenditures were more than anticipated. The overage was offset slightly by lower than budgeted depreciation expense.

Revenue in 2005-06 was \$8.5 million less than budget due primarily to budgeted Realignment revenue that was not transferred to ARMC. A portion of the Realignment revenue was for Construction Projects and will be transferred to ARMC in 2006-07. In addition, Emergency Medical Services Act funding was \$0.6 million less than anticipated, and fees from other agencies were under budget by \$2.0 million.

Fixed Asset expenditures were \$0.5 million less than budgeted due to deferred Information System software and equipment purchases.



## ANALYSIS OF FINAL BUDGET



GROUP: Administrative/Executive  
DEPARTMENT: Medical Center  
FUND: Arrowhead Regional Medical Center

BUDGET UNIT: EAD MCR  
FUNCTION: Health and Sanitation  
ACTIVITY: Hospital Care

	2002-03 Actual	2003-04 Actual	2004-05 Actual	2005-06 Actual	2005-06 Final Budget	2006-07 Final Budget	Change From 2005-06 Final Budget
<b>Appropriation</b>							
Salaries and Benefits	124,266,268	139,529,219	154,101,291	175,477,648	171,574,667	190,163,232	18,588,565
Services and Supplies	115,001,468	122,188,037	130,590,559	146,463,897	139,750,026	144,025,461	4,275,435
Central Computer	893,981	587,180	773,607	910,103	845,868	1,075,193	229,325
Other Charges	648,866	955,137	1,092,531	1,026,124	1,032,528	1,120,937	88,409
Transfers	211,931	900,656	905,863	974,489	974,489	1,149,440	174,951
Total Appropriation	241,022,514	264,160,229	287,463,851	324,852,261	314,177,578	337,534,263	23,356,685
Depreciation	-	11,012,812	6,049,319	5,904,089	6,216,532	6,216,532	-
Operating Transfers Out	8,970,729	10,679,082	13,540,687	8,000,000	9,700,000	8,812,500	(887,500)
Total Requirements	249,993,243	285,852,123	307,053,857	338,756,350	330,094,110	352,563,295	22,469,185
<b>Departmental Revenue</b>							
Use of Money and Prop	-	-	683	126	-	-	-
State, Fed or Gov't Aid	155,346,591	177,573,365	192,662,185	181,560,624	193,412,762	206,320,263	12,907,501
Current Services	68,349,655	83,621,062	84,747,673	93,242,062	90,524,432	98,916,441	8,392,009
Other Revenue	3,277,016	3,252,661	6,174,868	10,814,880	4,473,197	4,473,197	-
Total Revenue	226,973,262	264,447,088	283,585,409	285,617,692	288,410,391	309,709,901	21,299,510
Operating Transfers In	30,188,736	16,483,600	19,628,750	39,684,451	37,370,000	39,187,500	1,817,500
Total Financing Sources	257,161,998	280,930,688	303,214,159	325,302,143	325,780,391	348,897,401	23,117,010
Rev Over/(Under) Exp	7,168,755	(4,921,435)	(3,839,698)	(13,454,207)	(4,313,719)	(3,665,894)	647,825
Budgeted Staffing					2,491.0	2,683.4	192.4
<b>Fixed Assets</b>							
Equipment	521,238	1,201,198	961,224	1,039,732	1,000,000	1,000,000	-
L/P Equipment	322,091	439,775	352,806	499,750	902,813	1,550,638	647,825
Total Fixed Assets	843,329	1,640,973	1,314,030	1,539,482	1,902,813	2,550,638	647,825

Based on the projected inpatient census and outpatient activity, expenses are expected to increase in 2006-07 by \$21.7 million, or 7.0% from the 2005-06 budget. The increases are described below.

Salaries and benefits will increase by approximately \$18.6 million. Of this amount, \$5.87 million is due to anticipated increases due to labor negotiations, retirement costs, and workers' compensation rate increases.

The net change in budgeted staffing is an additional 192.4 positions to comply with required staffing ratio in nursing care services, convert contracted services or contracted employees to full-time employees and other operational considerations for performance improvement. The following units were affected:

- Nursing Services will increase by 114.65 positions to adjust staffing ratio due to regulatory mandate at Medical/Surgical Units from Nurse to Patient ratio of 1:6 to 1:5 and Telemetry from 1:5 to 1:4 or less and the inclusion of language stipulating "at all times".





- Ancillary Services will increase by 19.57 positions to convert contracted staffing in Rehabilitation Departments, Neuro Diagnostic Imaging, increase in surgical technicians to expand operating hours and open two additional operating rooms from 7 to 9 due to increase in case loads, and to reduce cancellations of many elective surgical cases, increase in Laboratory positions to provide additional assistance in Hematology, Urinalysis, Chemistry and Pathology due to volume growth and as a action plan to correct a sentinel event attributed to workload submitted to DHS.
- Support Services will increase by 58.10 positions of which 20 positions will be added in Security Department based on a Security Assessment by the Sheriff's Department and reinforced by the Grand Jury report. The additional staffing is needed to activate the metal detectors that have been installed at all points of entry at the Medical Center. Office staff positions were increased by 18.6 to provide additional support in the Call Center due to increase in volume, Patient Accounting to implement co pay collections and Section 1011 Program and for better denial management of patients receivables. Other clerical and professional positions were added from the following departments: Information Systems, Human Resources, Medical Records and Utilization Review.

For 2006-07, ARMC is requesting the reclassification of two vacant Secretary I positions to Education Specialists for the Family Medicine program. The reclassification of these positions will allow for the hiring of individuals with the educational background necessary to support the unit in a cost effective manner.

Services and supplies are budgeted to increase by \$4.27 million primarily due to increase in volume and inflationary factors and other changes in patient services. This increase is related to several changes with the most significant explained below:

- Decrease in Minor Equipment of (\$0.63) million is due to the completed purchases of lap tops and computers in FY 2005-06 for Information Technology infrastructure enhancements. These enhancements include the deployment of a phased-in wireless network that will provide mobility and clinical staff easier access to patient's medical information for better efficiency and patient care.
- Increase in Computer Software by \$1.09 million due to anticipated additional modules in Meditech, replacement of Home Health software and to update the single sign-on access in Radiology and Emergency Department by securing a unique sign on to comply with HIPAA imposed by using personalized identification cards by the users.
- Increase in Physician Fees to care for Medically indigent Adults by \$0.25 million due to increase in heart cases referred to Loma Linda University and increase in visits in Emergency Room and Public Health Clinics.
- Decrease in insurance by \$0.28 million primarily from fire insurance costs.
- Increase in Medical Supplies and pharmaceuticals and food by \$1.3 million due to increases in patient activity and projected inflationary cost.
- Increase in County Wide Cost Allocation Plan (COWCAP) of \$0.3 million.
- Increase in professional services of \$0.51 million for the following contracts: Pharmaceutical Services due to CPI increase, Neuro diagnostic services, outside Radiation Therapy services due to volume.
- Increase in building and equipment maintenance costs of \$0.37 million due to aging equipment and expiring warranties.
- Increase in equipment rental of \$1.26 million to upgrade and replace aging computer server as a part of the disaster recovery plan to implement CPOE and PCS.

Capital Leases & Interest increased by \$0.73 million due to the acquisition of new equipment to replace obsolete and aging equipment in Diagnostic Imaging Department such as the Picture Archiving System and MRI.

Transfers out to other departments decreased by \$0.88 million due to change in plans of converting Behavioral Health Unit beds into Medical Surgical beds in 2005-06 by \$1.07 million. The additional beds planned during 2005-06 will be incorporated to the 6<sup>th</sup> Floor Conversion Plan at the Main Tower Building. The new plans for 2006-07 include \$0.4 million for the Terrazzo Flooring Repair-Project Phase 1 and \$0.4 increase for the Parking Lot Expansion Project.

Based on the projected inpatient census, outpatient activity, and anticipated rate increases, revenues are expected to increase by \$27.0 million in the 2006-07 budget.

The state aid and federal revenue category is projected to increase by \$27.7 million. This will result from following:

- SB 1100, California's Medi-Cal Hospital/Uninsured Care Demonstration Project of \$133.140 million. This new State Funding is comprised of Fee for Service of \$49.463 million, Safety Net Care Pool Fund of \$32.880 million, DSH Fund of \$50.797 million, as compared to the old Medicaid System of \$125.468 million. The old State Funding was comprised of SB 855 of \$30.673 million, SB 1255 and GME of \$40.243 million and Fee for Service of \$54.551 million. The increase in the new State funding is estimated to be \$6.324 million or 5.04%.
- AB 915 Program is projected to decrease by \$6.6 million. For budget 2005-06, the allotment is estimated to be \$13.8 million based on the actual claim filed for 2003-04 and an additional adjustment to reflect increased costs in 2005-06. The unreimbursed Medi-Cal expenses claimed for 2004-05 were \$13.414 million. This Medi-Cal supplemental payment is limited to the federal share only or approximately 50% (\$6.707 million) of the claimable amount.
- Section 1011 Undocumented/Uninsured Program increase of \$1.361 million. During 2005-06, the eligibility process is implemented to qualify patients for Section 1011 of the Medicare Modernization Act of 2003. This program helps reimburse hospitals for otherwise unreimbursed costs for providing emergency services to undocumented immigrants.
- Medicare revenue is projected to increase by \$6.727 million due to increased discharge and an increase in the Federal Diagnosis Related Group payment rate and the geographic reclassification of San Bernardino County to Los Angeles for Wage Index.
- MediCal Managed Care Capitation Payment from IEHP will increase by \$0.233 million due to increase in marketing targeted to increase the number of memberships from IFMG and La Salle IPA Groups. In addition, a subsidy of \$1.200 million from IEHP is projected in 2006-07. This allotment is being donated by IEHP to implement a Circle of Excellence Program and Pain Management in collaboration with Riverside County Medical Center. Further, \$2.682 million additional revenue is projected for the Pilot Program being proposed by IEHP with the State to participate in the Managed Care Coverage program for Seniors and Persons with Disabilities as a part of SB 1100 –Medicaid Refinancing Program under the Safety Net Care Pool Fund of \$180 million for each year. The projection is based on 5% of the half of the available funding prorated to start on January, 2007.
- Distressed Hospital Funding increase of \$0.587 million. This is a new funding stream included in SB 1100 – Medicaid Refinancing Program under the Safety Net Care Pool Fund of \$23.5 million to be allocated between the Private and Public Hospitals to help finance the hospitals. Three criterias are to be met for qualification; (1) to serve a "substantial volume" of Medi-Cal patients, (2) be a "critical component" of the Medi-Cal program's health care delivery system and (3) to demonstrate a "significant financial hardship" that may impair the hospitals ability to continue its range of services for the program. The letter of interest to participate in the distribution was submitted in March, 2006. The projection is based on 5% of the half of the available fund. The rate used is the historical average distribution rate received by ARMC from total disproportionate share funding among the public hospitals.

The current services revenue category will increase by \$8.39 million. This will result from the following:

- Increase in insurance revenue of \$3.8 million due to a 7% rate increase partially and anticipated rate increase from contracted insurance of 10%. Decrease in DBH payment of \$0.616 million due to estimated capped payment of \$19.326 million. Increase in transfers from Jail and Sheriff Department to reimburse the Medical Center for pharmaceutical costs of \$2.680 million, increase in private pay of \$2.5 million due to better control in registration process and denial management.

Operating transfers in is expected to increase by \$0.27 million. Of this amount, \$0.41 million is a one-time allocation to fund the construction of the Parking Lot Expansion, \$0.40 million for the Terrazzo Flooring Repair Project Phase, offset by a decrease in additional allocation made during 2005-06 in Health Realignment funds to partially offset the increased costs related to compliance in staffing ratios of \$0.538 million.

## FINAL BUDGET CHANGES

The Board approved a services and supplies appropriation and operating transfers in increase of \$5,000 for ARMC's Health Fair financed with Priority Policy Needs funds.

PERFORMANCE MEASURES		
Description of Performance Measure	2005-06 Actual	2006-07 Projected
Increase in number of deliveries.	N/A	10%
Improvement in patient satisfaction scores.	N/A	5%
Increase in Medi-Cal eligibility from Emergency Room visits.	N/A	10%
Increase room turn around time.	N/A	30%
Redesign Patient visit by implementing nurse protocols to decrease Emergency Room patients leaving without being seen.	N/A	50%
Streamline error identification/monitor statistics to include in performance evaluation criteria.	N/A	<5%
Decrease reagent costs with combined purchasing and increased volume.	N/A	5%

